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FISCAL IMPACT STATEMENT

LS 6671

BILL NUMBER: HB 1621

NOTE PREPARED: Jan 14, 2007

BILL AMENDED:

SUBJECT: Elimination of Textbook Rental Program.

FIRST AUTHOR: Rep. Oxley

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill has the following provisions:

Elimination of Textbook Rental Program- The bill abolishes the textbook rental program for public school students.

Definition of Textbook- The bill expands the definition of "textbook" to include materials used in student instruction.

Textbook Fund- The bill requires school corporations to establish and appropriate money from a textbook fund to purchase all needed textbooks for loan without charge to corporation students.

Textbook Grant- The bill provides an annual state textbook grant equal to \$95 multiplied by the average daily membership of a school corporation. The bill requires the deposit of grant funds in the textbook fund.

Effective Date: July 1, 2007.

Explanation of State Expenditures: *Summary:* This bill provides for a state grant for textbooks and the elimination of the textbook rental program. The following table illustrates the potential net cost to the state regarding the provisions of this bill assuming projected levels of PTRC and textbook appropriations that continue beyond the biennium at the FY 2007 level.

FY	Elimination of			
	Textbook Grants	State Appropriation for Textbooks	Less: Reduction in PTRC & Homestead	Net Cost*
2008	\$95.5 M	(\$19.9 M)	(\$0.089 M)	\$75.5 M
2009	\$96.2 M	(\$19.9 M)	(\$0.094 M)	\$76.2 M
2010	\$96.9 M	(\$19.9 M)	(\$0.099 M)	\$76.9 M
*As described above in the Temporary Assistance for Needy Families (TANF) section, the net cost to the state shown in the table could increase by up to \$11 M per fiscal year if additional expenditures in another program are required. However, reclassification of existing, but unidentified, expenditures could mitigate the net increase.				

Textbook Grant- School corporations would be eligible for a state grant per ADM of \$95. The projected costs of these grants are approximately \$95.5 M for FY 2008, \$96.2 M in FY 2009, and \$96.9 M in FY 2010. The amount of textbook reimbursement for nonpublic schools was \$367,645 during school year 2005-2006.

Elimination of Textbook Rental Program- Background: The School Textbook Reimbursement Contingency Fund provides school corporations and accredited nonpublic schools reimbursement from the Department of Education for a portion of the costs incurred during a school year in providing classroom instruction to children who meet the federal free and reduced lunch standards. Prior to school year 1999-2000, the program only provided assistance on behalf of students meeting free lunch standards. The appropriation to the Textbook Reimbursement Account for FY 2007 is \$19.9 M.

During the 2005-2006 school year, 318 school corporations (including charter schools) and 156 accredited nonpublic schools participated in the textbook reimbursement program. School corporations and nonpublic schools were reimbursed at 62.5% of textbook costs for qualifying students during school year 2005-2006.

The school corporation or accredited nonpublic school must file a claim with the Department of Education before November 1 of the current school year. The claim must include the number of eligible students and the associated costs for textbooks, consumable textbooks, and workbooks. The claim must include copies of all filed and approved applications for free and reduced lunch recipients. The approved applications must include data required by the Family and Social Services Administration (FSSA) with regard to Temporary Assistance to Needy Families to be considered by the Department of Education for reimbursement under this program.

Reimbursement is distributed each school year. Public and accredited nonpublic schools may apply for supplemental reimbursement after April 1 but before May 1 of the school year to account for children enrolled after the original reimbursement was applied for. If the amount of reimbursement requested exceeds the amount appropriated, the Department of Education is required to proportionately reduce the amount of reimbursement to each school corporation and nonpublic school.

Potential Impact on the TANF Block Grant Program- The elimination of the textbook rental program may impact the TANF program. States are required to meet a specified maintenance of effort (MOE) level in order to qualify for the federal TANF block grant of about \$206 M annually. Indiana's annual TANF MOE obligation is in the \$120 M range. FSSA meets this obligation by expending state funds appropriated for this purpose and by claiming expenditures from other state agencies that meet the purposes and requirements of

eligible TANF MOE expenditures.

FSSA has been able to include as MOE about \$11.3 M of the \$19.9 M state expenditure for textbooks because it is an expenditure targeted at the low-income population. However, because the proposed textbook grant program is targeted at the general student population, the state expenditure will not qualify as an MOE expenditure, thus requiring either additional expenditures in another program or reclassification of existing, but unidentified, expenditures as MOE. (The reclassified funds, if qualifying, must also demonstrate an increase in expenditures from the TANF base year. Only the increase in funds can be included as meeting the TANF MOE requirement. For this reason, FSSA cannot count the entire \$19.9 M textbook expenditure described above as MOE.)

Actual aggregate MOE expenditures totaled \$124.4 M in federal fiscal year (FFY) 2005 and \$121.2 M in FFY 2006. The proposed state MOE expenditures in FFY 2007 are projected to be \$121.9 M.

Township Assistance/Reduction of PTRC & Homestead Credit- The state in CY 2008 will pay 22.7% of the Property Tax Replacement Credit (PTRC) and Homestead Credit on township assistance levies. The reduction in the township assistance levy explained under local revenues will result in a projected savings to the state paid by PTRC of \$89,000 in FY 2008 (22.7% of \$395,000). PTRC is paid from the Property Tax Replacement Fund which is supplemented by the state General Fund. Therefore, any reduction in PTRC actually reduces expenditures from the state General Fund.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: *Textbook Grant-* School corporations currently pay for textbooks using textbook rental fees, proceeds from the sale of used textbooks, state reimbursement of textbooks for children who qualify for the federal Free and Reduced Lunch Program, and financial assistance from township trustees (Poor Relief). As proposed by this bill, school corporations would be eligible to use the state grant of \$95 per ADM instead of the above sources. In FY 2006, schools collected revenue of \$62.6 M in textbook rental fees from students.

Max Levy Reduction- The Department of Local Government Finance would be required to reduce the maximum levy and township assistance levy in each township to reflect the changes in textbook funding.

State Agencies Affected: Department of Education; Department of Local Government Finance; Treasurer of State.

Local Agencies Affected: School corporations.

Information Sources: Debbie Hineline, Department of Education; Department of Education ORACLE Data Tables; Jim Dunn, FSSA, 317-232-4908.

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